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# The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

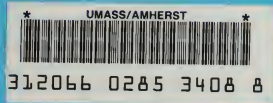
ONE ASHBURTON PLACE, ROOM 1819

BOSTON, MASSACHUSETTS 02108

TEL. (617) 727-6200

A. JOSEPH DeNUCCI

AUDITOR



NO. 2002-0597-3A

## INDEPENDENT STATE AUDITOR'S REPORT

ON CERTAIN ACTIVITIES OF THE

AMHERST HOUSING AUTHORITY

APRIL 1, 1999 TO AUGUST 31, 2001

**OFFICIAL AUDIT  
REPORT**

**NOVEMBER 30, 2001**



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In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of certain activities of the Amherst Housing Authority for the period April 1, 1999 to August 31, 2001. The objectives of our audit were to assess the adequacy of the Authority's management control system for measuring, reporting, and monitoring the effectiveness of its programs and to assess compliance with laws, rules, and regulations applicable to each program. Based on our review, we have concluded that the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

### AUDIT RESULTS

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#### PRIOR AUDIT RESULTS - RESOLVED

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Our prior audit report (No. 99-3017-8) of the Amherst Housing Authority noted certain areas that needed improvement, including long-term vacancies in the Authority's congregate housing program and reimbursement of educational expenses. Our follow-up review indicated that the Authority has taken corrective action to resolve these issues, as follows:

##### **a. Long-Term Vacancies in the Congregate Housing Program**

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Our prior review noted that the Authority needed to make improvements in the long-term vacancies of its congregate housing program located at the Jean Elder House. Specifically, we found that since 1995, the Authority had an average of 13 of its 23 (56.5%) congregate housing units vacant. Our follow-up review disclosed that long-term vacancies continued to be a problem during the two fiscal years ended March 31, 2001, but that steps have been taken by both the Authority's Executive Director and the Jean Elder House Task Force to address the problem. Specifically, the Authority submitted a Capital Funding application to the Department of Housing Community Development (DHCD) seeking modernization funds for renovations designed to resolve the vacancy problem of the Jean Elder House. Also, on June 15, 2001, the Authority entered into an agreement with Multi Cultural Services of the Pioneer Valley, Inc. to lease eight units for \$3,200 per month.

##### **b. Reimbursement of Educational Expenses**

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Our prior review noted that the Authority's Executive Director was reimbursed for expenses incurred in pursuit of a Masters in Business Administration (MBA) degree. Although the Authority's Board approved the reimbursements, the nature of these funds was not properly disclosed in budgets submitted to DHCD, and the Authority did not ensure that its fee accountant reported this fringe benefit as income to the Internal Revenue Service and the Massachusetts Department of Revenue as required.



Our follow-up review disclosed that the Authority's fee accountant prepared budgets for both fiscal years 2000 and 2001 that reflected the Executive Director's MBA reimbursement costs. Subsequently, these budgets were approved by DHCD and these fringe benefit costs were included in the Executive Director's W-2 forms for calendar years 1999 (\$2,170) and 2000 (\$2,530).



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## INTRODUCTION

### ***Audit Scope, Objectives, and Methodology***

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of certain activities of the Amherst Housing Authority for the period April 1, 1999 to August 31, 2001. The objectives of our audit were to assess the adequacy of the Authority's management control system for measuring, reporting, and monitoring the effectiveness of its programs and to assess compliance with laws, rules, and regulations applicable to each program.

Our audit was conducted in accordance with applicable generally accepted government auditing standards for performance audits and, accordingly, included such audit tests and procedures as we considered necessary.

To achieve our audit objectives, we reviewed the following:

- Tenant-selection procedures to verify that tenants were selected in accordance with Department of Housing and Community Development (DHCD) regulations.
- Vacancy records to determine whether the Authority adhered to DHCD's procedures for preparing and filling vacant housing units.
- Annual rent-determination procedures to verify that rents were calculated properly and in accordance with DHCD regulations.
- Accounts receivable procedures to verify that collections were timely and that uncollectible tenants' accounts receivable balances were written off properly.
- Procedures for making payments to employees for salaries, travel, and fringe benefits to verify compliance with established rules and regulations.
- Procedures for making payments to landlords under the Massachusetts Rental Voucher Program to verify compliance with the contract provisions and that rental charges by landlords were consistent with established rules and regulations.
- Site-inspection procedures and records to verify compliance with DHCD inspection requirements and that selected housing units were in safe and sanitary condition.





- Property and equipment inventory-control procedures to determine whether the Authority properly protected and maintained its resources in compliance with DHCD regulations.
- Contract procurement procedures and records to verify compliance with public bidding laws and DHCD requirements for awarding contracts.
- Cash-management and investment policies and practices to verify that the Authority maximized its interest income and that its deposits were fully insured.
- DHCD-approved operating budgets for the fiscal year in comparison with actual expenditures to determine whether line-item and total amounts by housing program were within budgetary limits and whether required fiscal reports were submitted to DHCD in a complete, accurate, and timely manner.
- Operating reserve accounts to verify that the Authority's reserves fell within DHCD's provisions for maximum and minimum allowable amounts and to verify the level of need for operating subsidies to determine whether the amount earned was consistent with the amount received from DHCD.
- Modernization awards to verify that contracts were awarded properly and that funds were received and disbursed in accordance with the contracts, and to determine the existence of any excess funds.
- The Authority's progress in addressing the issues noted in our prior audit report (No. 99-3017-8).

Based on our review we have concluded that, during the 29-month period ended August 31, 2001, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.



## AUDIT RESULTS

### **PRIOR AUDIT RESULTS - RESOLVED**

Our prior audit report (No. 99-3017-8) of the Amherst Housing Authority noted certain areas that needed improvement, including long-term vacancies in its congregate housing program and reimbursement of educational expenses. Our follow-up review indicated that the Authority has taken corrective action to resolve these issues, as follows:

#### **a. Long-Term Vacancies in the Congregate Housing Program**

Our prior review noted that the Authority needed to make improvements in the long-term vacancies of its congregate housing program located at the Jean Elder House. Specifically, we found that since 1995, the Authority had an average of 13 of its 23 (56.5%) congregate housing units vacant.

Our follow-up review disclosed that long-term vacancies continued to be a problem during the two fiscal years ended March 31, 2001, but that steps have been taken by both the Authority's Executive Director and the Jean Elder House Task Force to address the problem. Specifically, the Authority submitted a Capital Funding application to the Department of Housing and Community Development (DHCD) with the hope of receiving modernization funds so that the Authority could proceed with renovations designed to resolve the vacancy problem at the Jean Elder House, including decreasing the number of bedrooms, increasing the number of bathrooms, providing a one-bedroom unit for a live-in attendant, and providing an additional two-bedroom unit for couples. DHCD responded to the Authority's request for modernization improvements by awarding the Authority a \$25,000 planning grant, but DHCD has yet to release the funds.

Also, on June 15, 2001, the Authority entered into an agreement with Multi Cultural Services of the Pioneer Valley, Inc., to lease eight units with a total rental income of \$3,200 per month. Further, Multi-Cultural Services has expressed a desire to lease an additional five units in the very near future. This rental agreement will greatly help to alleviate the Authority's long-term congregate housing vacancy problem.



**b. Reimbursement of Educational Expenses**

Our prior audit review noted that the Authority's Executive Director was reimbursed \$10,512 for expenses incurred in pursuit of a Masters in Business Administration (MBA) degree. These expenses covered the Executive Director's tuition, fees, and books for 10 courses taken in the MBA program at the University of Massachusetts-Amherst. Additionally, it was noted that the Authority's fee accountant had allocated funds within the 4190 account (Administration Other) to cover these costs in the fiscal year 1997 and 1998 budgets under a subcategory "All Other Sundry Expense" without any description of the costs. Our review further noted that the Authority did not ensure that its fee accountant reported the Executive Director's educational reimbursements as income to the Internal Revenue Service (IRS) and the Massachusetts Department of Revenue (DOR) as required by IRS Code 1.127-2 and comparable Massachusetts DOR requirements. This requirement is essential for those graduate level courses not considered a job requirement.

Our prior review recommended that the Authority pursue with DHCD the implementation of a policy to address the degree that educational reimbursements can be approved by the Authority's board and strengthen its procedures to ensure that educational reimbursements and other such fringe benefits are reported by its fee accountant to both the IRS and the Massachusetts DOR. We further recommended that the Authority's fee accountant ensure that all other administrative costs are listed and properly described in the Authority's budget as required by DHCD's budget guidelines.

Our follow-up review disclosed that the Authority has resolved this issue. Specifically, we noted that the fee accountant has revised the Authority's budgets for both fiscal years 2000 and 2001 to reflect an account breakdown of the Executive Director's MBA expenses. Subsequently, these budgets were approved by DHCD and these fringe benefit costs were included in the Executive Director's W-2 forms for calendar years 1999 (\$2,170) and 2000 (\$2,530).





the 1990s, the number of people in the UK who are aged 65 and over has increased by 1.5 million (1990–2000) and is projected to increase by a further 1.5 million by 2020 (Office for National Statistics 2001). The number of people aged 65 and over is projected to increase from 10.5 million in 1990 to 12.5 million in 2020, with the number of people aged 75 and over increasing from 4.5 million to 6.5 million in the same period.

There is a growing awareness of the need to develop strategies to meet the needs of the ageing population. The Department of Health (2000) has identified the need to develop a 'new paradigm' for the care of the ageing population, one that is based on the principles of 'active ageing' and 'positive ageing'.

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